



Roy E. Dormaier
Vice Chancellor

Planning & Budget
454 Administration Building
Irvine, CA 92697-3025
(949) 824-7023
FAX (949) 824-2276
dormaier@uci.edu

March 30, 2005

Via Facsimile

Mr. Clifford Ham
Senior Project Manager
Office of Court Construction and Management
Judicial Council of California – Administrative Office of the Courts
455 Golden Gate Avenue
San Francisco, California 94102-3688

RE: Summary of Business Terms / Sale of Property at California Avenue and Service Road, Irvine, California

Dear Mr. Ham:

The University of California is restating a summary of business terms with minor adjustments, which is intended to clarify key requirements of the Administrative Office of the Courts that have been stated as necessary to move forward in negotiations for a purchase of the property described in University of California proposal of January 31, 2005.

1. Transaction: The sale of vacant land "AS IS" by The Regents of the University of California, a California corporation ("Seller") to the State of California ("Buyer").
2. Property: The land shall be Site 1 consisting of approximately 2.5 acres on the University of California, Irvine West Campus as depicted on the attached Exhibit A ("Property"). The Buyer will be entitled to construct up to a 70,000 gross square feet of building size. This will cover both the initial construction and future expansion of a State Appellate Court.
3. Purchase Price: The purchase price shall be \$2,400,000 plus the terms and conditions herein as additional consideration as the purchase price is below market.

4. Payment: The Buyer will pay the purchase price in cash. A non-refundable deposit of \$25,000 shall be made to cover the Seller's costs for CEQA and other work. This amount shall be applied to the purchase price if the sale is completed and shall be non-refundable in the event the sale is not completed. The Buyer will have six (6) months from execution and delivery of a binding purchase and sale agreement to complete the purchase and close escrow or the escrow and sale shall terminate. The purchase price less the aforesaid deposit will be paid in full upon the closing, which shall be evidenced by a grant deed conveying the Property per the terms and conditions of the purchase agreement. The schedule and 6-month deadline for closing may be adjusted by the mutual agreement of the parties as necessary to conform to the CEQA review process.
5. CEQA and Development Plan Approval: The Buyer will be required to meet all necessary CEQA requirements prior to approval of the purchase and sale of the property and commencement of construction of the project, both at Buyer's sole expense. The parties agree the State will be the lead agency and the University will be a responsible agency for the CEQA review process for the transaction, which at this point is contemplated to include approval of: (1) sale of the Property and (2) the Appellate Court construction project. The Seller reserves the right to review, comment to and approve all plans for consistency with CEQA. This will include site drainage, lighting, and other appropriate mitigation conditions. The Buyer shall, at its sole cost and expense, design and construct all improvements on the Property that are needed for its project. This shall include without limitation all: (a) utility hookup and connection fees, (b) all design, engineering, financing and construction costs, and (c) all fees assessed on the land. The Seller shall have the right to review and approve schematic design plans for the project for conformance to design standards of the University of California, Irvine and its University Research Park. The design review shall include: (i) building elevations including height, (ii) roof screening, (iii) paint color and scheme, (iv) setbacks, (v) landscape plan, (vi) ingress and egress plan, (vii) utility connections, (viii) grading and site drainage plans (ix) signage and (x) site plan including fencing plans (if required by the Court) for security. Campus staff will work with the Buyer to assure that as the design is developed that it adequately addresses the Seller's concerns. The Buyer will have the same responsibilities for any future expansion, which shall not be in the form of a deed restriction [the form of restriction that is enforceable and runs with the land to be determined], and the Seller shall retain the same right of design review for so long as it is the fee owner of adjacent land.
6. Building Permits: The Buyer shall, at its sole cost and expense, be responsible for obtaining all necessary building permits as well as any other permits required from any governmental entity. The Seller will not serve as the building official.

7. Use and Seller Rights Upon Change in Use: The Property shall be deed restricted {or such other comparably enforceable form of restriction to which the parties shall mutually agree} to be used solely for the construction and operation of the Appellate Court. The Seller shall not be obligated to approve any change in use. Upon: (a) failure to commence construction within _____ (____) days of the close of escrow or to complete construction within _____ (____) days of commencement of construction (b) discontinuance of use of the Property for an Appellate Court for a period of at least one hundred and eighty (180) days (excepting for any construction related purpose not resulting in a change in use), or (c) any change in use of the Property from a State Appellate Court, the Buyer shall have the option in its sole election to either: (i) acquire the Property for the greater of (A) the outstanding balance on the lease revenue bond financing used to construct the improvements, or (B) the sum of \$2,400,000 plus the depreciated replacement cost new of the said improvements as determined by an independent MAI appraiser (collectively "Reversionary Price"), or (ii) to require immediate payment from the Buyer to the Seller of the sum of the Mitigation 123 Fee (\$3.00 X gross square foot area of the building) plus the positive difference between the appraised fair market value of the land at the time of Buyer's purchase of the land and \$2,400,000
8. Lease Revenue Bond Financing: If the Buyer elects to use State Revenue Bonds to finance the Project, Seller shall provide such assurances as the State of California reasonably requires to confirm that the State may assume all of Buyer's rights hereunder, and that the State will have a valid leasehold interest in the Property consistent with otherwise preserving the Seller's rights hereunder.
9. Management and Operation: The Buyer shall, at its sole cost and expense, operate and maintain the premises in a first class condition.
10. Taxes, Assessments, Fees and Exactions: The Buyer shall pay any and all taxes, assessments, fees and exactions levied against the Property that are applicable to the State of California.
11. Utilities: The Buyer shall pay all costs associated with bringing utilities to the Property.
12. Shared Facilities and Internships: The Court shall allow use of its library, courtroom and other appropriate facilities by Seller's students and faculty. This shall mean during normal hours of operations. Use of the library shall additionally include computer access to the library which will be adjusted on an academic quarter basis to assure access only to qualified UCI students and UCI will coordinate access with the Court Librarian. UCI students and staff shall respect the need for privacy that judges may require and coordinate use with the Court Librarian to accommodate this situation. The courtroom will be available to UCI during evenings, weekends and when not in use by the Court. The Court will have first priority if adjustments for use need to be made to accommodate Court business. The CHP shall be responsible for security at all times. When UCI uses

the facility during hours which are not normal business hours to the Court and which are for its exclusive use, it shall reimburse the court for operating expenses and security resulting from such use. Everyone entering the building will be subject to security screening. UCI students shall have first priority as spectators to attend court sessions after those actually involved in the case are accommodated. The Buyer shall provide externships and/or other experience to university students, as feasible. Specifics of such academic use and externships are subject to agreement between UCI and the Court of Appeal. Both parties agree to meet and confer on externships, clerkships, teaching opportunities and other interests between the parties after the use of the facility commences.

13. Parking and Expansion Land: The Buyer will design its project and any future additions thereto to accommodate all normal occupant and visitor parking on the Property. The Seller makes no commitment of future land for parking or expansion. Under conditions where the Buyer needs additional parking for a specific event, the Irvine campus will coordinate use of more distant parking at day rates for visitors at then customary rates. UCI students, staff and faculty may be restricted from use of court parking unless they are participating in an actual court case.
14. Seller's First Rights: Seller shall have first rights of offer and refusal to purchase the Property in the event of any contemplated sale of the property by Buyer .
15. Approval: Authorization to sell the Property and terms of sale are contingent on the approval of The Board of Regents of the University of California or their designee.
16. Customary Conditions: Such other terms and conditions as are customary in transactions of this type.

Contingencies applicable to this transaction shall include: (1) approval of the proposed land purchase by the State of California – Public Works Board; (2) approval of all required CEQA submittals; (3) AOC's final acceptance and approval of an ALTA survey; (4) approval of the proposed land purchase by the Judicial Council of California.

This letter/proposal is intended solely as a preliminary expression of general intentions and is to be used for discussion purposes only. The parties intend that neither shall have any contractual obligations to the other with respect to the matters referred herein unless and until a definitive agreement has been fully executed and delivered by the parties. The parties agree that this letter/proposal is not intended to create any agreement or obligation by either party to negotiate a definitive lease/purchase and sale agreement and imposes no duty whatsoever on either party to continue negotiations, including without limitation any obligation to negotiate in good faith or in any way other than at arm's length. Prior to delivery of a definitive executed agreement, and without any liability to the other party, either party may (1) propose different terms from those

CLIFFORD HAM
MARCH 30, 2005

summarized herein, (2) negotiate with other parties and/or (3) unilaterally terminate all negotiations with the other party hereto.

Please contact me at 949-824-7023 to discuss any questions that you might have.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy E. Dormaier". The signature is fluid and cursive, with the first name "Roy" being particularly prominent.

Roy E. Dormaier
Vice Chancellor

C: Chancellor Ralph Cicerone
Executive Vice Chancellor Michael Gottfredson
Director Gordon Schanck
Broker William Bacon